

Message Text

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PAGE 01 MANILA 15577 01 OF 04 300956Z
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 L-03 H-01 PA-01 PRS-01 IO-13 NEA-10 OES-07
/115 W

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P R 300732Z SEP 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 5932
INFO AMEMBASSY PORT MORESBY

LIMITED OFFICIAL USE SECTION 1 OF 4 MANILA 15577

USADB

FOR NAC AGENCIES

E. O. 11652: NA
TAGS: EAID, EFIN, BP
SUBJECT: PROPOSED ADB LOAN TO THE SOLOMON ISLANDS FOR FISHERIES
DEVELOPMENT

SUMMARY: ADB MANAGEMENT PROPOSES U.S. \$3.6 MILLION
EQUIVALENT LOAN CONSISTING OF U.S. \$3.3 MILLION IN FOREX
AND U.S. \$0.3 MILLION IN LOCAL CURRENCY FROM SPECIAL FUNDS
RESOURCES TO THE SOLOMON ISLANDS. PROPOSED LOAN WILL
FINANCE 94 PERCENT OF FOREX AND 13 PERCENT OF LOCAL
COSTS OF U.S. \$5.9 MILLION PROJECT OR 60 PERCENT OF TOTAL
COST OF PROJECT. PROJECT IS ECONOMICALLY VIABLE AND HAS
ELEMENTS OF BOTH INSTITUTION BUILDING AS WELL AS
INCREASED PRODUCTION CAPACITY FOR EXPORT MARKETS. USADB
RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC. R95-77 WITH ATTACHMENTS DESCRIBING PROPOSED
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PAGE 02 MANILA 15577 01 OF 04 300956Z

LOAN POUCHED ADDRESSEES SEPT. 23. BOARD CONSIDERATION
SCHEDULED OCTOBER 13, 1977.

2. ADB MANAGEMENT PROPOSING U.S. \$3.6 MILLION LOAN
EQUIVALENCY FROM SPECIAL FUNDS RESOURCES TO GOVT OF
SOLOMON ISLANDS FOR BOTH FOREX AND LOCAL COSTS. PROCEEDS
WILL FINANCE FOREX COST OF U.S. \$3.3 MILLION FOR NEW

EQUIPMENT AND FACILITIES AT SHIPYARD, CATCHER BOATS AND BAIT BOATS CONSTRUCTION, COMMUNICATIONS AND TRANSPORTATION EQUIPMENT, AND SERVICES OF THREE CONSULTANTS. U.S. \$0.3 MILLION IN LOCAL CURRENCY WILL BE USED FOR PART OF LOCAL COST FOR SHIPJACK VESSEL CONSTRUCTION. PROPOSED TERMS ARE 40 YEARS INCLUDING 10 YEAR GRACE PERIOD AND ONE PERCENT PER ANNUM SERVICE CHARGE. THE GOVERNMENT OF THE SOLOMON ISLANDS IS BORROWER AND GUARANTOR AND THE NATIONAL FISHERIES DEVELOPMENT LIMITED (NFD) IS EXECUTING AGENCY.

3. COMMERCIAL AND TRADITIONAL FISHERIES ARE IMPORTANT ELEMENTS IN THE SOLOMON ISLANDS ECONOMY. IN 1976 FISH ACCOUNTED FOR 35 PERCENT OF TOTAL EXPORTS. EXPLORATORY FISHING SURVEY WAS CONDUCTED IN 1971/72 BY A PRIVATE FIRM INVITED BY THE GOVERNMENT. IN 1973 GOVT OF SOLOMON ISLANDS AND JAPANESE JOINT VENTURE SOLOMON TAIYO LTD (STL) COMMENCED COMMERCIAL FISHING OPERATIONS FOR SKIPJACK AND OTHER TUNA LIKE SPECIES. DURING PAST THREE YEARS TOTAL CATCH INCREASED FROM 6,500 M.T. VALUED AT NEARLY \$2.0 MILLION IN 1973 TO ABOUT 16,000 M.T. VALUED AT ABOUT \$8 MILLION IN 1976. ABOUT 95 PERCENT OF SKIPJACK CAUGHT HAS BEEN EXPORTED EITHER AS FROZEN, CANNED OR SMOKED FISH. REVENUES FROM TAK OF SKIPJACK INDUSTRY REPRESENTED ALMOST 10 PERCENT OF GOVERNMENT'S TOTAL TAX REVENUES IN 1976.

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PAGE 03 MANILA 15577 01 OF 04 300956Z

4. THE GEOGRAPHIC LOCATION OF THE SOLOMON ISLANDS ON THE EXTREME WESTERN FRINGE OF THE WESTERN PACIFIC OCEAN, AN AREA THAT IS INFLUENCED BY THE CONVERGENCE OF THE CORAL, SOUTH CHINA AND SOLOMON SEAS, ENABLES IT TO ENJOY A RICHNESS OF SEA RESOURCES WHICH IS NOT TYPICAL OF THE TROPICAL PACIFIC OCEAN. WHILE THE EXACT SIZE OF SKIPJACK RESOURCES OF THE WESTERN PACIFIC IS AT PRESENT UNKNOWN, OVER 100,000 TONS WERE HARVESTED IN THE WATERS OF THE U.S. TRUST TERRITORIES ALONE MAINLY BY JAPANESE COMPANIES. APPROXIMATELY 400,000 TONS WERE ESTIMATED AT ONE TIME AS MAXIMUM SUSTAINABLE YIELD FOR THIS PARTICULAR STOCK IN WESTERN PACIFIC. HOWEVER, AS THIS FIGURE HAS BEEN REACHED WITHOUT AFFECTING THE SIZE OF THE STOCK, IT IS NOW BELIEVED THAT POTENTIAL YIELD IS MUCH LARGER. STUDIES BY FAO, JAPANESE AND U.S. DEPARTMENT OF COMMERCE CONCLUDE THAT THERE ARE ABUNDANT RESOURCES OF SKIPJACK IN THE PACIFIC OCEAN AND THAT SKIPJACK IS MOST PROMISING SPECIES IN THE REGION. REQUIREMENT OF LIVE BAIT IN SKIPJACK FISHING IS NOW OPENING UP AN ANCILLARY INDUSTRY AND ONE THAT IS CLOSELY COORDINATED WITH SKIPJACK FISHERMEN. LIVE BAIT FARMS ARE EXPANDING TO

MEET NEEDS OF THE FISHING INDUSTRY.

5. IN 1976 FISHERIES DIVISION INITIATED PILOT SCHEME TO PROVIDE FISH COLLECTION CENTERS WHERE FISH ARE PURCHASED FROM PBCAL FISHERMEN, PRESERVED IN ICE AND TRANSPORTED TO POPULATION CENTERS FOR SALE. A PUBLIC COMPANY WAS ORGANIZED TO RUN THE ESSENTIALLY COMMERCIAL VENTURE. THIS FIRM WILL BE PRINCIPAL ORGANIZATION FOR ENCOURAGING COMMERCIALIZATION OF THE TRADITIONAL FISHERIES SECTOR. CURRENTLY THERE ARE TWO SHORE BASES FOR JOINT VENTURE FISHING COMPANY FORMED IN 1972. ONE IS THE TULAGI IN THE CENTRAL DISTRICT AND OTHER IN NORO IN WESTERN DISTRICT. THESE SHORE BASES HAVE COMBINED CAPACITY OF OVER 100 TONS FOR BRINE FREEZING, 80 TONS OF ICE PER DAY, AND LIMITED OFFICIAL USE

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PAGE 04 MANILA 15577 01 OF 04 300956Z

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PAGE 01 MANILA 15577 02 OF 04 300855Z
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00
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SIL-01 L-03 H-01 PA-01 PRS-01 IO-13 NEA-10 OES-07
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P R 300732Z SEP 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 5933
INFO AMEMBASSY PORT MORESBY

LIMITED OFFICIAL USE SECTION 2 OF 4 MANILA 15577

USADB

FOR NAC AGENCIES

1,200 TONS OF COLD STORAGE. A THIRD BASE IS NOW
OPERATING IN THE SHORTLAND ISLANDS UTILIZING A MOTHER

SHIP WHILE SHORE FACILITIES ARE BEING BUILT AND A FOURTH IS IN THE PLANNING STAGES.

6. PROJECT'S SCOPE INCLUDES EXPANSION OF PRODUCTION AND INCREASED LOCALIZATION OF THE EMPLOYMENT, MANAGEMENT AND OWNERSHIP OF SKIPJACK FISHERIES SECTOR IN SOLOMON ISLANDS. ON BASIS OF STUDIES CONDUCTED AND FISH CATCHES OVER PAST FIVE YEARS THERE IS SCOPE FOR AT LEAST DOUBLING 1976 SKIPJACK CATCH OF NEARLY 16,000 TONS. PROJECT PROVIDES FOR LOCAL CONSTRUCTION OF 10 SKIPJACK POLE AND LINE CATCHER BOATS AND 20 BAIT CATCHING BOATS. CONSULTANT SERVICES ARE ALSO PROVIDED TO ASSIST IN BOAT CONSTRUCTION AND INITIAL MANAGEMENT AND FISHING OPERATIONS OF NATIONAL FISHERIES DEVELOPMENTS, LTD (NFD), THE COMPANY WHICH WILL BE FORMED AND LIMITED OFFICIAL USE

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PAGE 02 MANILA 15577 02 OF 04 300855Z

MADE RESPONSIBLE AS EXECUTING AGENCY. PROJECT HEAD-QUARTERS WILL BE LOCATED AT TULAGI IN THE FLORIDA ISLANDS, ONE HOUR AWAY FROM HONIARA BY SPEEDBOAT. IT IS ALSO THE LOCATION OF THE EXISTING SASAPE SHIPYARD WHICH WILL BE PURCHASED BY NFD TO BUILD AND MAINTAIN PROJECT CATCHER BOATS. VESSEL CREWS WILL BE PAID ON BASIS OF A PERCENTAGE SHARE OF FISH CAUGHT. BANK WILL PERIODICALLY REVIEW PAYMENTS FORMULA.

7. CATCHER BOATS WILL BE OF THE 20 METER CLASS, BE CONSTRUCTED WITH FERRO CEMENT HULLS AND BE POWERED BY APPROXIMATELY 350 H.P. DIESEL ENGINES. THE BOATS ARE DESIGNED TO USE POLE AND LINE FISHING METHODS. FERRO CEMENT BOATS ARE CONSIDERED AS MOST APPROPRIATE FOR CONDITIONS IN SOLOMON ISLANDS. PRELIMINARY DESIGNS FOR BOATS WERE COMPLETED WITH ASSISTANCE OF NAVAL ARCHITECT PROVIDED UNDER NEW ZEALAND ASSISTANCE. IN ADDITION TO TEN CATCHER BOATS, PROJECT PROVIDES FOR CONSTRUCTION OF 20 BAIT CATCHING BOATS OF EIGHT METER CLASS. THESE ARE DESIGNED FOR FIBERGLASS CONSTRUCTION TO BE POWERED BY 10 H.P. DIESEL ENGINES. A LOCAL BOATBUILDING YARD WAS DETERMINED TO BE FULLY CAPABLE OF PRODUCING THE 20 BOATS REQUIRED FOR THE PROJECT.

8. AT FULL OPERATION PROJECT'S REQUIREMENT FOR MANPOWER IS ESTIMATED AT 275 PERSONS OF WHICH 25 ARE FOR BOAT REPAIR AND 20 FOR MANAGEMENT AND ADMINISTRATION. WHILE SKILLED TECHNICIANS AND WORKMEN FOR BOAT BUILDING AND RD REPAIR ARE AVAILABLE AT SASAPE BOATYARD, TRAINING IN FERRO CEMENT HULL CONSTRUCTION TECHNOLOGY MUST BE LEARNED ON SITE. NEW ZEALAND FINANCED CONSULTANTS PLAN TO PROVIDE THIS TRAINING. THE MARINE TRAINING

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PAGE 03 MANILA 15577 02 OF 04 300855Z

SCHOOL WHICH IS CURRENTLY TRAINING CREWS FOR NON-FISHERIES VESSELS IS TO BE EXPANDED TO INCLUDE COMPREHENSIVE FISHERIES TRAINING PROGRAMS. A REQUEST OF FUNDS TO THE EUROPEAN DEVELOPMENT FUND (EDF) WAS MADE TO FINANCE EQUIPMENT AND CONSULTANTS FOR TRAINING PROGRAM. BANK IS SATISFIED THAT TRAINED MANPOWER REQUIREMENTS OF THE PROJECT CAN BE MET THROUGH COMBINATION OF FORMAL AND AT-SEA TRAINING AS LOCAL CREWS WORK WITH JAPANESE FISHERMEN COUNTERPARTS. GOVT HAS AGREED TO BE RESPONSIBLE FOR MAKING SATISFACTORY ALTERNATIVE FINANCIAL ARRANGEMENTS FOR TRAINING IN EVENT EDF COMMITMENT IS NOT FORTHCOMING.

9. TOTAL INVESTMENT COST OF THE PROJECT IS ESTIMATED AT U.S. \$5.9 MILLION OF WHICH U.S. \$3.5 MILLION IS FOREX AND U.S. -\$2.4 MILLION IS LOCAL CURRENCY. THE BANK IS ASKED TO FINANCE ABOUT 60 PERCENT OF THIS COST, \$3.3 MILLION IN FOREX AND \$0.3 MILLION IN LOCAL CURRENCY. AS PROJECT WILL BE OPERATED ALONG COMMERCIAL LINES AND IS CONSIDERED FINANCIALLY VIABLE, PROCEEDS OF BANK LOAN WILL BE RELENT TO NFD AT 8.3 PERCENT INTEREST WITH 18-YEAR REPAYMENT PERIOD INCLUDING 4-YEARS GRACE. PROJECT INVESTMENT COST ESTIMATES INCLUDE 15 PERCENT CONTINGENCIES AND 25 PERCENT FOR PRICE ESCALATION OVER LIFE OF PROJECT. THE LATTER IS BASED ON AN ASSUMED ANNUAL RATE OF INFLATION OF EIGHT PERCENT THROUGH 1979 AND SEVEN PERCENT THEREAFTER. THE MAJOR COST OF PROJECT IS FOR

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PAGE 01 MANILA 15577 03 OF 04 301050Z
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00
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P R 300732Z SEP 77

FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 5934
INFO AMEMBASSY PORT MORESBY

LIMITED OFFICIAL USE SECTION 3 OF 4 MANILA 15577

USADB

FOR NAC AGENCIES

CONSTRUCTION OF TEN CATCHER BOATS AT \$2.1 MILLION OR ABOUT 35 PERCENT OF TOTAL COST. CONSULTANCY SERVICES ACCOUNT FOR \$0.7 MILLION OR ALMOST 12 PERCENT. ANNUAL OPERATING COSTS ARE ESTIMATED AT U.S. \$2.7 MILLION AT FULL DEVELOPMENT WITH FISHING VESSEL OPERATING COSTS RUNNING OVER 60 PERCENT OF TOTAL OPERATING COSTS.

10. PROCUREMENT OF GOODS UNDER BANK LOAN WILL BE CARRIED OUT IN ACCORDANCE WITH BANK'S GUIDELINES FOR PROCUREMENT. SUPPLY CONTRACTS FOR EQUIPMENT AND MATERIAL COSTING U.S. \$150,000 OR MORE WILL BE AWARDED ON BASIS OF INTERNATIONAL COMPETITIVE BIDDING. SUPPLY CONTRACTS COSTING LESS THAN \$150,000 EQUIVALENT EXCEPT FOR MINOR ITEMS WILL BE AWARDED ON BASIS OF BIDS OR QUOTATIONS OBTAINED FROM A REASONABLE NUMBER OF SUPPLIERS OR MORE THAN ONE ELIGIBLE COUNTRY. CIVIL WORKS BIDS WILL BE AWARDED ON BASIS OF COMPETITIVE BIDDING AMONG PRE-LIMITED OFFICIAL USE

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PAGE 02 MANILA 15577 03 OF 04 301050Z

QUALIFIED LOCAL CONTRACTORS. CONSULTANTS FINANCED BY BANK WILL BE ENGAGED ON AN INDIVIDUAL BASIS IN ACCORDANCE WITH BANK'S GUIDELINES OF USES OF CONSULTANTS.

11. A COMPANY TO BE KNOWN AS NATIONAL FISHERIES DEVELOPMENT, LTD. (NFD) WILL BE ESTABLISHED UNDER THE SOLOMON ISLANDS COMPANIES ORDINANCE WITH HEADQUARTERS IN TULAGI. IT WILL HAVE AN AUTHORIZED CAPITAL OF A\$1.5 MILLION DIVIDED INTO A\$1 EACH. THE GOVT WILL SUBSCRIBE 75 PERCENT OF THE SHARE CAPITAL. STL IS BEING REQUESTED TO SUBSCRIBE FOR THE REMAINING 25 PERCENT OF THE AUTHORIZED CAPITAL. NFD WILL BE RESPONSIBLE PROJECT IMPLEMENTATION. IT WILL BE OPERATED BY A BOARD OF DIRECTORS AND A MANAGEMENT STAFF. IT WILL HAVE ITS OWN ACCOUNTS AUDITED ANNUALLY BY EXTERNAL AUDITORS ACCEPTABLE TO THE BANK. PENDING STAFFING AND INITIAL OPERATION OF NFD THE PERMANENT SECRETARY OF MNR WILL BE RESPONSIBLE FOR THE IMPLEMENTATION OF THE PROJECT. HE HAS ALREADY ESTABLISHED A PROJECT OFFICE TO ASSIST IN CARRYING OUT HIS RESPONSIBILITY AND IMPLEMENTING

DECISIONS OF PROJECT COORDINATING COMMITTEE UNTIL SUCH TIME AS NFD IS ADEQUATELY STAFFED AND OPERATING. PROVISIONS FOR OPERATING PROCEDURES OF THIS OFFICE ARE INCLUDED IN LOAN AGREEMENT. AS A CONDITION OF LOAN EFFECTIVENESS, GOVT AGREES TO ENTER INTO A VALID BINDING AGREEMENT FOR PURCHASE OF THE EXISTING SASAPE BOATYARD IN TULAGI. AGREEMENT ALSO CALLS FOR QUARTERLY PROGRES REPORTS ON IMPLEMENTATION OF PROJECT. NFD IS ALSO REQUIRED TO MONITOR SKIPJACK RESOURCES OF THE SOLOMON ISLANDS AND TO INFORM BANK IN EVENT OF ANY SIGNIFICANT DECLINE IN SUCH RESOURCES OF STEPS IT HAS TAKEN AND PROPOSES TO TAKE TO MEET CHANGED CONDITIONS.

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PAGE 03 MANILA 15577 03 OF 04 301050Z

12. PROJECT IS COMMERCIALY VIABLE. AT FULL DEVELOPMENT PROJECT VESSELS ARE EXPECTED TO CATCH AT LEAST 7,800 M.T. OF SKIPJACK ANNUALLY FOR LOCAL PROCESSING AND EVENTUAL EXPORT. PROJECT VIABILITY IS BASED ON ASSUMPTION THAT BOATS WILL OPERATE 260 FISHING DAYS PER BOAT PER YEAR, AVERAGE BOAT CATCH WILL BE 3 M.T. PER FISHING DAY AND EX-VESSEL SALE PRICE OF FISH WILL BE A\$360 PER M.T. STL VESSELS OPERATING SINCE 1973 HAVE AVERAGED ABOUT 4 M.T. PER FISHING DAY WHILE FISHING 280 DAYS PER YEAR. THE AVERAGE CATCH ASSUMED ABOVE IS BELOW THE WORST PER BOAT AVERAGE ANNUAL CATCH RECORDED THUS FAR, THEREFORE, ASSUMED RATE IS CONSIDERED CONSERVATIVE. THERE ARE EXPECTATIONS FOR LOWER AVERAGE RATES, HOWEVER, IN EARLY YEARS WHEN THE BOATS ARE CREWED BY LOCAL FISHERMEN. AS THEY GAIN IN SKILLS SO THEY SHOULD INCREASE THEIR CATCH RATES AS WELL. THE A\$360 PRICE ESTIMATE IS ALSO CONSERVATIVE BASED ON THE 1973-1977 AVERAGE SKIPJACK PRICE (CALIFORNIA EX-VESSEL PRICE) OF 7.S.\$575 PER M.T. THE JULY 1977 PRICE IN CALIFORNIA FOR IMPORTED FROZEN SKIPJACK WAS U.S.\$800/M.T. AT THIS LEVEL, SOLOMON SKIPJACK WOULD SELL FOR ABOUT A\$500/M.T. PRICES OF SKIPJACK HAVE INCREASED SHARPLY

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PAGE 01 MANILA 15577 04 OF 04 301010Z
ACTION TRSE-00

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NSC-05 SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00
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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5935

INFO AMEMBASSY PORT MORESBY

LIMITED OFFICIAL USE SECTION 4 OF 4 MANILA 15577

USADB

FOR NAC AGENCIES

IN THE PAST YEAR AS RESULT OF CONSTRAINTS ON THE TRADITIONAL SUPPLIERS OF TUNA. THE 200 MILE ECONOMIC ZONE IS ONE SUCH CONSTRAINT, WHILE OTHERS INCLUDE U.S. LEGISLATION RESTRICTING THE PURSE SEINING OF TUNA AND DECLINING CATCH RATES FOR LARGE TUNA IN INTERNATIONAL WATERS. PROJECTED INCOME STATEMENTS INDICATE THAT OPERATING PROFITS AS A PERCENTAGE OF SALES INCREASES FROM 20 PERCENT IN THE FIRST YEAR OF FULL OPERATION (1983) TO 43 PERCENT IN THE TENTH YEAR OF OPERATION. THE PROJECTED OVERALL FINANCIAL RESULTS ARE CONSIDERED SATISFACTORY. CONSERVATIVE ESTIMATES INDICATE AN 18 PERCENT FINANCIAL INTERNAL RATE OF RETURN. THESE CALCULATIONS INCLUDE A 15 PERCENT PHYSICAL COST CONTINGENCY AND THE COST OF REPLACING ENGINES AND OTHER PARTS DURING THE LIFE OF THE PROJECT. DEBT SERVICE COVERAGE RATIO WILL RANGE FROM 1.7 IN 1982 TO 2.9 TOWARDS 1989. THE RATIOS ARE QUITE ADEQUATE BECAUSE LIMITED OFFICIAL USE

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PAGE 02 MANILA 15577 04 OF 04 301010Z

OF RELATIVELY LOW DEBT SERVICE REQUIREMENTS AND HIGH INTERNAL CASH GENERATION DURING THE PROJECTED PERIOD. THE ECONOMIC INTERNAL RATE OF RETURN IS ESTIMATED AT ABOUT 24 PERCENT. FINANCIAL ASSUMPTIONS LISTED IN THE APPRAISAL REPORT HAVE ADEQUATELY TAKEN INTO CONSIDERATION REASONABLE COSTS ESCALATIONS, DEPRECIATION AND MAINTENANCE AND REPAIR COSTS. PROJECT BENEFITS, HOWEVER, WERE ADJUSTED UPWARD TO OFFSET THE TEN PERCENT EXPORT TAX ON FROZEN FISH EXPORTS. THE PROJECT WILL INCREASE EMPLOYMENT BY 275 PERSONS ON A FULL TIME BASIS AND AN ADDITIONAL 40 TO 50 FOR THE FIRST FOUR YEARS DURING THE CONSTRUCTION PHASE OF THE PROJECT. IN TERMS

OF FOREX EARNINGS A NET ANNUAL FLOW OF ABOUT U.S. \$2.5 MILLION IS EXPECTED TO BE DERIVED FROM THE PROJECT WITH EFFECT FROM THE FIRST YEAR OF FULLY LOCALIZED COMMERCIAL OPERATIONS. TAX REVENUES ARE EXPECTED TO EXCEED U.S.\$600,000 PER ANNUM OR ABOUT TEN PERCENT OF GOVERNMENT TAX REVENUES IN 1976.

13. USADB COMMENTS: PROJECT TAKES ADVANTAGE OF ONE OF FEW EXPLOITABLE RESOURCES IN SOLOMON ISLANDS. IT DOES THIS THROUGH INSTITUTIONAL BUILDING ELEMENT BY LOCALIZATION OF FISHERIES INDUSTRY AS WELL AS INCREASING PRODUCTION CAPACITY FOR WHAT APPEARS TO BE REASONABLE OPPORTUNITY FOR INCREASED OFF-TAK. ONE IMPORTANT ASSUMPTION IN SUCCESSFULLY IMPLEMENTING PROJECT IS TRAINING OF MANAGEMENT STAFF OF NEWLY FOUNDED EXECUTING AGENCY, NATIONAL FISHERIES DEVELOPMENT, LTD. LOAN AGREEMENT APPEARS TO COVER THIS POINT ADEQUATELY. FURTHERMORE, BANK STAFF BELIEVES THAT GOVERNMENT IS WELL AWARE OF NECESSITY FOR ESTABLISHMENT OF HIGH QUALITY MANAGEMENT CAPABILITY IN SUCH AN ORGANIZATION. GOVERNMENT IS WILLING TO GO SO FAR AS TO PROVIDE SPECIAL LIMITED OFFICIAL USE

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PAGE 03 MANILA 15577 04 OF 04 301010Z

INCENTIVES FOR NFD STAFF. WHILE IT MAY APPEAR AS A GOOD IDEA IN THE SHORT RUN, IT MAY NOT SERVE GOVERNMENT IN THE LONG RUN TO HAVE TO DEAL WITH AN ABERRATION IN ITS PUBLIC ADMINISTRATION. IN ANY EVENT, BANK STAFF SEEM WELL AWARE OF THIS. ECONOMIC RATE OF RETURN IS EXCELLENT IN VIEW OF CURRENT PRICES AND FUTURE TRENDS OF TUNA ON WORLD MARKETS. WHILE ONE MAY QUESTION FUTURE PRICES, WE BELIEVE IT IS REASONABLE TO ASSUME THAT DAMAND WILL REMAIN STRONG FOR FORESEEABLE FUTURE. WHILE BOAT BUILDING SKILLS ARE AVAILABLE IN SOLOMON ISLANDS, NEW FERRO CEMENT TECHNOLOGY MAY PROVE TO BE MORE DIFFICULT THAN IT IS MADE TO APPEAR IN APPRAISAL REPORT. IT WOULD BE USEFUL TO HAVE THE RESULTS OF EVALUATIONS OF SIMILAR EFFORTS AT TECHNOLOGY TRANSFER IN OTHER AREAS OF THE WORLD. ON BALANCE USADB BELIEVES PROJECT IS BASICALLY SOUND AND A MOST RELEVANT ACTIVITY IN SOLOMON ISLANDS AND, THEREFORE RECOMMENDS NAC AGENCIES APPROVAL.

14. REQUEST AMEMBASSY PORT MORESBY COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DATED 3 JULY 1972.
WESTCOTT

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Message Attributes

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Disposition Comment: 25 YEAR REVIEW
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U.S. \$3.6 MILLION
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